



# Corruption risks in the social housing sector

www.ibac.vic.gov.au

This information sheet highlights some of the corruption vulnerabilities in the social housing sector and identifies ways those responsible for public and community housing can strengthen their systems and practices to mitigate those vulnerabilities.

## Background

- IBAC has conducted research into corruption risks in the social housing sector by consulting with public sector agencies, reviewing investigations into corruption and examining relevant public reports.
- Victoria's social housing sector assists the most vulnerable people in our community to secure both short-term, long-term and transitional housing. It is a public service relying on strong partnership with both the private and not-for-profit sector using significant public resources.
- The benefits of social housing have flow on effects to the rest of society. Safe and secure housing options are positively linked to physical and mental health, educational outcomes as well as rates of vocational training and employment.
- IBAC can receive complaints and notifications about suspected corruption in the public housing sector and the community housing sector regulated by the Housing Registrar, and may start an investigation into any allegations made.
- A shortfall in social housing supply and a shift towards community housing over public housing may increase corruption risks in the sector. The risk of bribery and poorly managed conflicts of interest are particularly heightened. The community housing sector has a number of controls in place to manage these risks including the [Performance standards for registered housing agencies](#) (the Performance Standards), issued by the Housing Registrar. Registered community housing agencies are required to comply with the Performance Standards under the *Housing Act 1983*.
- Both public and community housing sector employees and government service providers are well placed to identify corruption during the application and allocation process for housing, during major projects delivering new social housing and during the day-to-day delivery of social housing services.

## Corruption risk: Bribery

Bribery can be in the form of cash, inducements or other favours.

### For employees

- Accepting or soliciting bribes to speed up an application.
- Accepting or soliciting bribes to allocate or upgrade a dwelling.
- Bribes for property alterations.

### For the sector

- Favours during procurement processes, including gifts, benefits and hospitality.

## Prevention and detection strategies

- The Victorian Housing Register (introduced in 2016/17) processes all applications for social housing and mitigates some of the risk of employees manipulating the housing allocation process. A key mitigation measure is the Register's audit and data analysis and restricted discretion in decision making. Regular auditing of the allocation of housing is already occurring.
- For the public housing sector, employees are encouraged to lodge all offers of gifts, benefits and hospitality with Department of Health and Human Services (DHHS) for inclusion on the public register.
- For the community housing sector, the Performance Standards for registered community housing agencies require that their agency's code of conduct policy maintains high standards of probity including in relation to gifts and hospitality. Consistent with the Housing Registrar's [Evidence Guidelines](#), which support the Performance Standards, registered agencies should maintain a gifts, benefits and hospitality register.
- Community housing agencies should ensure alleged corruption is being reported to IBAC or the Housing Registrar.

## Corruption risk: Conflict of interest

### For employees

- Employees may poorly manage the conflict of interest risk if they have friends and family applying for tenancy, or once friends and family become tenants.
- The Victorian Housing Register has detailed personal information about applicants – including vulnerable people and those who need protection due to fleeing domestic violence situations. Employees may come across friends, family and other associates and need to ensure they declare and manage any conflicts that arise. The risk is that employees could use this register and its valuable information for their own personal purposes or to favour their associates when making decisions.

### For the sector

- The social housing sector faces an increasing risk of poorly managed conflict of interest with public bodies partnering with the property developers in the private sector on new infrastructure projects to create more housing.
- For some parts of the community housing sector, there are inherent conflict of interest risks due to the business structures of community housing agencies which may:
  - be subsidiaries of large company or not-for-profit structures
  - have links to property developers or other business
  - not align with the community housing sector's aim of safe, secure and affordable housing.

### Prevention and detection strategies

- Conflicts of interest arise in all areas of the public and private sectors and are not inherently negative but they need to be identified and properly managed. Creating a culture of declaring and managing actual, perceived and potential conflicts of interest in a clear and transparent manner is a strong risk mitigation measure.
- The social housing sector needs to demonstrate a high-level of transparency in all its performance, oversight and operations to reassure the community of integrity and fairness in the system. This is particularly the case for the community housing providers who receive funding from a range of government and non-government sources and across states and territories.
- IBAC and the Housing Registrar recommend community housing agencies have policies and processes in place for managing conflict of interest. The Housing Registrar on its website also provides guidance on [how managing conflict of interest is related to meeting performance standards](#), including:
  - the [Evidence Guidelines](#) for complying with the Performance Standards
  - how regulatory risks arising from a corporate group structure are managed through regulation in the Corporate group structures and the [Victorian regulatory framework guidance document](#).
- The Housing Registrar also requires registered agencies to report any event that has or may have an adverse impact on a registered agency's compliance with Performance Standards or other regulatory obligations under the *Housing Act 1983*. This includes when undeclared conflicts of interest are identified. Further information is available in the [Housing Registrar's Reportable Events Guidance](#) on its website.
- DHHS' employees must declare actual, perceived and potential conflicts of interest in line with the process outlined in the Department's policy.
- The Victorian Public Sector Commission (VPSC) provides [best practice advice and guidelines on managing conflicts of interest in the public sector](#). These can inform the social housing sector's policies and procedures.

## Corruption risk: Favouritism in procurement

### For employees

- Employees are at risk of favouring suppliers with whom they have an ongoing business relationship. This is especially the case when social housing sector employees are invited to supplier events.

### For the sector

- There are a limited number of companies large enough to apply for the government tenders through the public housing sector. This creates the risk of the same suppliers securing the bid for each tender process and can impact the competitiveness of the process – and increase the amount of public funds being spent.

### Prevention and detection strategies

- Procurement in the public housing sector is guided by the Victorian Government Purchasing Board Guidelines. DHHS is also implementing new initiatives to guard against favouritism in procurement.
- Registered community housing agencies are required to submit a reportable event to the Housing Registrar for alleged fraud, corruption, criminal behaviour or misconduct by board members or employees. Reporting suspected corrupt conduct can assist with building prevention and detection efforts.
- The VPSC provides policy advice on maintaining a public gifts, benefits and hospitality register. DHHS has its register on its website and all employees are trained in how to manage any risks and how to report offers of gifts, benefits and hospitality.
- If procurement is suspected to have been corrupted, this can be reported to IBAC, DHHS, the Housing Registrar, or the community housing agency for investigation.

## Corruption risk: Maintenance fraud

### For employees

- Employees could alter a request for maintenance or invoices for maintenance to benefit associates.
- Employees may falsely report on work conducted or required to cover up the misuse or stealing of public funding.

### For the sector

- Contractors may falsely report on work required and conducted to increase their profits from contracts.

### Prevention and detection strategies

- DHHS performs compliance inspections via an audit process to ensure that works meet quality assurance principles associated with the property maintenance service contracts, Australian building standards, statutory authority regulations, and manufacturer's installation instructions and to verify work claimed has been performed.
- Registered community housing agencies are required to report alleged fraud by boards members or employees to the Housing Registrar under the reportable events framework.

## Corruption risk: Theft via the disposal of assets

### For employees

- Employees can deliberately undervalue government assets that are to be disposed of with the aim of themselves or associates purchasing the assets.
- Employees can involve themselves in a tender for the disposal of goods improperly providing information about tender prices to a potential tenderer.
- Employees can destroy records detailing the disposal of goods to hide corrupt conduct.
- The regular misuse or stealing of goods may also constitute corrupt conduct.

### For the sector

- The private sector may use its relationship with social housing sector agencies or employees to influence the employees to act corruptly. The unethical influencing of a public body can amount to corruption and could be investigated by IBAC.

### Prevention and detection strategies

- DHHS has policies in place to manage how to report a dwelling as vacant and these policies include the documenting and managing of assets in the property. DHHS also has a Loss and Theft Register which is reported to DHHS management and the government.
- DHHS has a dashboard reporting tool for vacant property management to identify anomalies with regard to reletting restrictions, monitoring outstanding reletting restrictions and performing trends and consistency analysis across regions
- Registered community housing agencies are required to report alleged criminal behaviour or misconduct by boards members or employees to the Housing Registrar under the reportable events framework.
- Under the Performance Standard for Housing Assets, registered community housing agencies are also required to have an asset management plan for all assets where the agency has responsibility for maintenance or management of the asset. This strengthens the asset management process.

## Useful resources

### Department of Health & Human Services: HousingVic

[housing.vic.gov.au](http://housing.vic.gov.au)

The Housing Registrar contributes to the development, growth and continual improvement of the Victorian community housing sector through proactive, risk based, and outcomes focused regulation.

### The Housing Registrar

[housingregistrar.vic.gov.au](http://housingregistrar.vic.gov.au)

The Registrar is responsible for implementing a regulatory framework to encourage the development of rental housing agencies serving the housing needs of low income tenants.

### Community Housing Industry Association Victoria

[chiavic.com.au](http://chiavic.com.au)

CHIA Victoria works to support the growth of community housing and to provide representation, support and leadership to community housing organisations.

### Victorian Public Sector Commission

[vpsc.vic.gov.au](http://vpsc.vic.gov.au)

The VPSC was established to strengthen the efficiency, effectiveness and capability of the public sector in order to meet existing and emerging needs and deliver high quality services. It also exists to maintain, and advocate for, public sector professionalism and integrity.

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IBAC is Victoria's anti-corruption agency responsible for preventing and exposing public sector corruption and police misconduct. We do this by:

- investigating serious corruption and police misconduct
- informing the public sector, police and the community about the risks and impacts of corruption and police misconduct, and ways in which it can be prevented.

To report corruption now, visit [www.ibac.vic.gov.au](http://www.ibac.vic.gov.au) or call **1300 735 135**.

If you need help with translation, call Translating and Interpreting Service on **13 14 50** or visit [www.ibac.vic.gov.au/general/accessibility/tr](http://www.ibac.vic.gov.au/general/accessibility/tr)